


# Implementing ABC at Medicare Contractors





# COST

Consumed Resources

Labor Hours / Equipment Usage

Finite

Measurable Units





Rework

Perform Service

# COST

Manage Staff

Receive Input





# Labor Costs

1. List people for each activity
2. Determine salary and job description
3. Determine the % of time that individuals spend doing specific activities
4. Multiply time percentages by annual salaries





# Percentage of Time Methods

- ◆ Time cards & reports
- ◆ Interviews with managers
- ◆ Observation
- ◆ Surveys



## Employee Survey Example

STAFF TIME QUESTIONNAIRE		
<b>NAME:</b> Jane Doe / Claims Processor		
<b>Cost Center:</b> EDI		
<b>Salary:</b>		\$125,000
**Do not use less than 10%**		
<b>CAFM Code</b>	<b>Activity Name</b>	<b>% of Time</b>
<b>11200</b>	<b>BILLS /CLAIMS</b>	
11201	Perform EDI Oversight	0.50
11202	Manage Paper Bills/Claims	0.20
11203	Manage EDI Bills/Claims	0.10
11204	Bills/Claims Determination	0.10
11209	Manage Outgoing Mail	
11210	Reopen Bills/Claims	0.10
<b>Employee Total must = 100%</b>		<b>1.00</b>

Employee name & title

Salary

Percentage of time spent on activity as a decimal

Must equal 100%



# Cost Center Analysis of Staff Time Usage Example

Cost Center: EDI		ACTIVITY ANALYSIS SHEET					
		17.6%					
		# FTE	1	10	5	3	= 19
			<i>Manager</i>	<i>Claims Processor</i>	<i>Business Analysis</i>	<i>System Analysis</i>	
CAFM	Activity Name						%age
11200	Bills Payment						
11201	Perform EDIOversight		0.50		3.80	0.00	4.30 22.6%
11202	Manage Paper Bills/Cla ims		0.20	5.00	0.20	1.80	7.20 37.9%
11203	Manage EDIBills/Cla ims		0.10	2.00	0.30	0.60	3.00 15.8%
11204	Bills/Cla ims Determina tion		0.10		0.10	0.60	0.80 4.2%
11209	Manage Outgoing Mail		0.00		0.00	0.00	0.00 0.0%
11210	Reopen Bills/Cla ims		0.10	3.00	0.60	0.00	3.70 19.5%
	Gross Total		1.00	10.00	5.00	3.00	19.00 100%
	Div Qty		1.00	10.00	5.00	3.00	
	Bal %		1.00	1.00	1.00	1.00	

Number of FTEs

Title of FTEs

Percentages from surveys

Total # of FTEs & percentages for activities in the function.



# Salary Distribution based on Survey Results Example

Activity Name		Manager	Claims Processor	Business Analysis	System Analysis		%
Bills Payment							
Perform EDIOversight		62,500	0	180,500	0	243,000	25.1%
Manage PaperBills/Cla ims		25,000	168,575	9,500	160,140	363,215	37.6%
Manage EDIBills/Cla ims		12,500	67,430	14,250	53,380	147,560	15.3%
Bills/Cla ims De termination		12,500	0	4,750	53,380	70,630	7.3%
Manage Outgoing Mail		0	0	0	0	0	0.0%
Reopen Bills/Cla ims		12,500	101,145	28,500	0	142,145	14.7%
	Gross Total	125,000	337,150	237,500	266,900	966,550	100%

Salaries of FTEs

Salary amounts based on percentage of time from survey.

Amount & percentage of salaries of function.








# Expenses Other Than Labor

- ◆ Understand your general ledger
- ◆ Directly assign expenses when possible
- ◆ Use cost drivers and activity drivers





Cost Driver – A factor that causes a change in the performance of an activity and in doing so, affects the resources required by an activity.

Example:

Activity: Perform EDI Oversight

Cost Driver: Complexity of Claim to be submitted by provider

i.e. hospital vs individual practitioner





Activity Driver – a factor used to assign cost from an activity to a cost object.

Example:

Activity: Reopen Bills/Claims

Activity Driver: Number Of Claims Reopened



## Example

Cost Center : EDI EXPENSE	Activity Driver	Cost Driver	EDP Equipment: rental/leases depreciation maint & repairs software changes personal prop taxes			
			% of FTE Time	Salaries/ Wages	% of FTE Salary	Fringe Benefits
				Staff Time Productive Hours		Costs per PC
			% of FTE	Direct Labor Costs	% of FTE Salary	Fringe Benefits
11200	Bills Payment			965,000		247,319
11201	Perform EDI Oversight		22.63%	\$218,394.74	17.59%	\$43,514.29
11202	Manage Paper Bills/Cla im s		37.89%	\$365,684.21	40.82%	\$100,947.29
11203	Manage EDI Bills/Cla im s		15.79%	\$152,368.42	16.74%	\$41,403.51
11204	Bills/Cla im s De termination		4.21%	\$40,631.58	3.58%	\$8,855.72
11209	Manage Outgoing Mail		0.00%	\$0.00	0.00%	\$0.00
11210	Re open Bills /Cla im s		19.47%	\$187,921.05	21.27%	\$52,598.18
	<b>Total</b>		<b>100.00%</b>	<b>\$965,000.00</b>	<b>100.00%</b>	<b>\$247,319.00</b>
						<b>23,089</b>

→ Fringe Benefit is based on salary percentage.

→ Cost of PC was calculated using percentage of FTE, (if each employee is assigned a PC no matter their salary).

